

**Western Hemisphere Subcommittee
House International Relations Committee**

**Hearing on U.S. Policy in the Caribbean
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**Testimony by John A. Sanbrailo, Executive Director
Pan American Development Foundation**

Introduction

Mr. Chairman and Members of the Western Hemisphere Subcommittee, I thank you for this opportunity to address you today about key development challenges in the Caribbean.

The Pan American Development Foundation (PADF) was created in 1962 as the first nongovernmental organization affiliated with the Organization of American States (OAS). Over the last four decades, PADF has helped spur national development, increase family incomes, promote innovative partnerships, save lives and property, protect vital natural resources, support participatory and democratic systems, and improve conditions for thousands of disadvantaged Latin American and Caribbean people. We have responded promptly and efficiently to victims of natural disasters and supported participatory and democratic systems through the development of civil society and local governments.

The mission of the Pan American Development Foundation is to increase opportunity for the disadvantaged in Latin America and the Caribbean. We seek to help people and communities achieve economic and social progress and respond to natural disasters and humanitarian crises. We do this through innovative partnerships with private, public, and nonprofit organizations in support of the priorities of the Organization of American States.

Caribbean Development Challenges

There has been extensive research done on identifying the current development challenges of Caribbean region, most notably, a comprehensive report entitled “A Time to Choose: Caribbean Development in the 21st Century,” published by the World Bank in April 2005. The report is a comprehensive survey and analysis of the most pressing issues: the impact of globalization on small states; regional economic integration and competitiveness; the need to transition from trade preferences to niche markets and services; and the need for sustained growth. Several other reports by the Caribbean Development Bank, the International Monetary Fund, the Economic Commission on Latin America and the Caribbean, and others further document Caribbean development challenges in this decade.

While overall poverty has declined in the Caribbean, there are some disturbing trends that will require concerted effort to address. First, growth has slowed considerably, especially in the countries of the Eastern Caribbean. Second, the gap between rich and poor has widened, both within the countries of the region and between countries, with Haiti, Jamaica, Guyana, and Suriname the poorest in terms of per capita GDP. Finally, a severe decline in productivity and increasing debt has placed 14 Caribbean countries among the 30 most indebted countries in the world. Simultaneously, the percentage of foreign aid to the region has decreased as a percentage of GDP from 6 percent between 1990-1997 to 3 percent in the subsequent four years.

Within these macro economic demands, social sector development is also critical: poverty alleviation; healthcare, (especially given the Caribbean has the second-highest prevalence of HIV/AIDs in the world after Sub-Saharan Africa); crime and insecurity; unemployment, migration, and labor exportation; inadequate workforce and skills training; and community economic development. This agenda is particularly challenging given the substantial and unsustainable rise in government expenditures, debt, and taxes.

Although Caribbean nations as a whole have spent a high percentage of their GDPs on education—nearly 5 percent between 1995-2002, compared with 4 percent in the rest of Latin America and the Caribbean—the gains from these investments have already begun to slip away, with key skills shortages, exportation of skilled labor, and training that is increasingly obsolete and disconnected from the labor demands, particularly in technological areas.

As one of the most hazardous regions of the world in terms of natural disasters, development advances in the Caribbean are extremely vulnerable. Risk in the region is high for a range of hazards in addition to tropical storm-related hazards (storm surge, waves, and wind), including seismic activity, landslides, and coastal and inland flooding. All of these hazards can have devastating impacts on the environment and critical infrastructure. The Caribbean Basin region is highly prone to a major seismic event, including a tsunami scenario similar to the Asia event earlier this year.

Also, more recent security risks related to terrorism, such as chemical and biological attacks, porous ports and borders, fragile public infrastructure, and weak emergency response capabilities broaden the definition of emergency management and increase the demand for comprehensive disaster management planning.

These challenges for Caribbean development are significant and merit a much lengthier treatment than this testimony will allow. Furthermore, any analysis of the Caribbean must acknowledge and account for the considerable heterogeneity of the countries that make up the region. As a result, analysis and its subsequent recommendations must address both country-specific and regional approaches wherever possible.

Finally, this testimony does not seek to be comprehensive in terms of addressing the broader macroeconomic policies of growth, competitiveness, and economic development of the Caribbean, nor even addressing all of the sectors that must necessarily be a part of

a coherent development strategy. PADF cannot address the overriding need for greater structural adjustments in Caribbean economies, regional integration, strategies to counter quickly eroding trade preferences, improving the investment climate, and creating more efficient public sectors.

As reflection of our mission, PADF can, however, focus on strategies to create opportunities for the least advantaged in the region, and to provide strong, working models for success in improving economic and social development for this population. The purpose of this testimony, therefore, is to highlight some key development successes in which PADF has been involved and that can serve as a guide to this Committee and to U.S. government agencies seeking viable solutions to the some of the most pressing development issues of our Third Border.

PADF in the Caribbean

PADF has had a long history of addressing many of these challenges in the Caribbean. One of our first projects in the region in 1962-63 involved the creation of the Dominican Development Foundation and pioneering modern micro-enterprise activities. We currently have active programs in Haiti, the Dominican Republic, and Trinidad and Tobago, and over the past 43 years, have implemented projects in Belize, Grenada, Jamaica, Saint Vincent, St. Lucia, and other countries.

In the case of Haiti, it is currently home to PADF's second-largest program, with an approximately \$9 million a year portfolio. PADF is one of the strongest international NGOs operating there, with almost 100 highly regarded professional staff and 25 years' experience implementing projects with support from the USAID, the World Bank, the Government of Haiti, the Organization of American States, USDA, FEMA, the private sector, and other donors. PADF directly manages field activities and provides technical and financial oversight of large internationally funded programs and is a vital mechanism for increasing Haiti's capacity to use international grants in a fast, efficient, transparent, and effective manner that is greatly appreciated by donor agencies and the Haitian Interim Government because we increase Haiti's absorptive capacity to use international assistance.

In Haiti, PADF has predominant expertise in 1) agriculture and rural development; 2) emergency employment generation; 3) infrastructure reconstruction and disaster preparedness and mitigation; and 4) strengthening Haitian civil society and community based-organizations, including assisting the U.S.-based Haitian Diaspora invest in development projects, and an emerging human rights focus to combat trafficking in children.

PADF/Haiti has long-standing partnerships with hundreds of Haitian NGOs and community-based organizations throughout the country that enable us to implement and mobilize programs with lasting results, for example, increasing farm family incomes by an average of 20 percent over past 3 years; rebuilding critical productive infrastructure to

increase agricultural land production and access to markets; empowering grass roots democratic processes; and sustaining 75,000 rural jobs.

In general, PADF enjoys excellent relations with the Government of Haiti based on a long-term strategy to consult and coordinate with technical ministries, even during times of high political and security tension. We are one of the only international NGOs to whom the Haitian government consistently turns to help it implement some of its most challenging programs. Over the past twenty-five years we have constantly remained engaged with Haitian people and our partners there.

PADF is also implementing a five-year \$4.25 million USAID project based out of the Dominican Republic along the Haiti-Dominican Republic border. The project's purpose is to improve overall economic and social conditions in the border region through strengthening of NGOs on both sides of the border, conducting technical exchanges, building cross-border cooperative networks, and administering small community development grants that encourage cross-border cooperation and improvements in service delivery to the poorest communities.

Successful Approaches to Development in the Caribbean

In this testimony, I would like to highlight what often gets overlooked: successful development models in the Caribbean that can be supported and replicated by U.S. government donor agencies and other stakeholders.

PADF believes that its successes in the Caribbean demonstrate that important progress can be made, despite the seemingly overwhelming challenges that face Caribbean nations, especially in Haiti. There are many positive impacts we can highlight, but today I will focus on four of PADF's successful development approaches in the Caribbean.

1. Agricultural Development and Community-Driven Development

One of USAID's success stories in Haiti is the Hillside Agricultural Program, which over the last several years has visibly improved sustainable hillside farming and increased incomes in this sector. Population pressures have forced Haitian farmers onto higher and steeper slopes, and farm families need alternatives to unsustainable agricultural practices. This project employs appropriate natural resource management to regenerate fragile hillsides, while encouraging farmers to grow and sell environmentally friendly and economically viable crops.

Through assistance to the production and marketing of traditional crops—including coffee, cocoa, and mango—PADF's work on the Hillside Agricultural Program has increased crop revenues and farmers' incomes by double digits in each of the past four years. Activities like these have resulted in a greater percentage of the retail price of targeted commodities remaining with local producers, leading to increased farmer investment.

Another program yielding major results is a World Bank-funded community-driven development (CDD) project in Haiti. CDD is an approach that empowers local communities to define and execute their own development priorities. It is a proven methodology pioneered by the World Bank in India, Brazil, and Indonesia that PADF has successfully adapted in Haiti.

Two years ago, the World Bank chose PADF as a partner to re-engage in Haiti on a community-driven development project that finances small infrastructure activities along the Haitian/Dominican border, arguably the poorest region in the Western Hemisphere. Through the CDD model, local officials and community groups work democratically to choose, fund, supervise, and implement small development projects, empowering people from the lowest brackets of society to participate in their own development. This also contributes to stability and improved local governance.

The program has been such a success that the Government of Haiti and the World Bank elected to replicate it throughout Haiti. Not only has the project been successful in terms of sustainable development outcomes, **it is unprecedented for the Haitian government to replicate and scale up an NGO-run project with government resources.** This is exciting because it demonstrates the Haitian government's willingness to adopt and expand development models that are improving lives in local Haitian communities. This flies in the face of the notion that investing in Haiti's social and economic development is akin to "throwing good money after bad." This project and others in this conflicted nation have created real, sustainable results, even in increasingly difficult social and political times.

2. NGO/Civil Society Strengthening

Another key success in PADF's work in the Caribbean is the approach of strengthening local civil society organizations to improve service delivery, build local capacity, and create and implement local solutions to development. Civil society must play a critical role in any development solutions for the region, and efforts to strengthen this sector are well worth the investment. Civil society is the glue that holds together governmental, multi-lateral, and foreign policy programs in democracy-building, economic and social development, and security. Programs that do not effectively incorporate and garner civil society as an integral stakeholder are rarely sustainable or successful.

One current example of PADF's approach to civil society strengthening in the Caribbean is the "Our Borders" project supported by USAID's Bureau of Democracy, Conflict, and Humanitarian Assistance. In four critical communities along the border of Haiti and the Dominican Republic, PADF is working to strengthen the local NGO sector on both sides of the border, build a multi-sectoral border network, and mitigate conflict between the historically combative nations through cross-border cooperation and activities. PADF provides technical, administrative, and financial capacity-building, and brings together a broad range of organizations, communities, donors, and others working on border development.

PADF believes that the Dominican Republic must be part of the solution of working toward Haiti's long-term economic, political, and social development and that much can be gained through border community development. We are appreciative of USAID's vision in supporting this initiative which represents a success story for Haitian and Dominican civil society groups working together to address potentially conflictive development priorities such as human rights, health, economic development, natural resource management, trade, and other areas.

3. Disaster Mitigation, Preparedness, and Reconstruction

Disaster management is a critical topic for the Caribbean, which is one of the most vulnerable regions in the world. For over 20 years, PADF has provided emergency relief packages and supplies to address the most immediate needs following disasters in the region. However, we believe that stronger emphasis and resources must be placed on managing and mitigating risks through community-based disaster preparedness and mitigation.

Since 2004, PADF has been implementing a Disaster Management Alliance pilot project in partnership with the Association of American Chambers of Commerce in Latin America and sponsored by the United States Agency of International Development's (USAID) Office of Foreign Disaster Assistance (OFDA) to better integrate the private sector into community disaster response, preparedness, and mitigation initiatives in three countries, one in South America, one in Central America, and one in the Caribbean—Colombia, Costa Rica, Trinidad and Tobago. This project is an important step in coordinating private and public sector efforts and raising awareness of preparedness and mitigation in the local communities.

In Haiti, PADF is implementing, along with other partners, a major reconstruction project in Gonaïves following Tropical Storm Jeanne in 2004. The PADF portion of \$7.5 million, out of the \$34 million overall USAID response program, is being used to repair roads and bridges, reconstruct schools, and train local disaster preparedness committees. In addition, over the last three years, with support from the private sector, PADF has retrofitted and repaired over 40 damaged schools, which benefit over 15,000 students and double as emergency community shelters.

In order to better prepare this vulnerable nation to save lives and protect property during an event, PADF has trained more than 20 Community Emergency Response Teams in Haiti, with simulation exercises on search and rescue, fire-fighting, emergency response coordination, risk-mapping, and other areas, providing preparedness and mitigation training to municipal leaders and citizens. These groups played a critical role in responding to the massive flooding and damage in Haiti in 2004, and in some cases, were the first-responders in areas where traditional assistance groups were unable to access in the early days following the storms.

In addition, PADF has the capacity to leverage resources from the public and private sectors, multiplying the resources and impacts many fold. For example in response to the

hurricanes and flooding in the Caribbean FY 04 and 05, with \$70,000 in resources from the OAS, PADF mobilized a record amount of cash and in-kind contributions for disaster relief, totaling over \$1,825,000. PADF worked with local American Chambers of Commerce in Haiti and the Dominican Republic to serve as a donation resource for their member corporations.

These are examples of the kind of work that should continue to be supported throughout the Caribbean, both through USAID, the OAS, the Inter-American Development Bank, the World Bank, and other donors.

4. Innovative Partnerships with the Private Sector, including the Caribbean Diaspora

As part of civil society with a significant role to play in the development of the Caribbean, the private sector is an important contributor that needs to be effectively incorporated into development strategies. Throughout its 43-year history, and as highlighted in previous examples, PADF has developed effective mechanisms to leverage private sector efforts and multiply both public and private sector resources. Examples of this include school retrofitting to improve education and serve as community disaster shelters with support from Citigroup, ExxonMobil, Unibank of Haiti, and other corporate donors.

Although not typically thought of as part of the private sector, the Caribbean Diaspora is also an important potential player in the development of the region. Remittances to six Caribbean countries—Jamaica, the Dominican Republic, Haiti, Cuba, Trinidad and Tobago, and Guyana—totaled over \$6 billion in 2003. Throughout the region, remittances play a key role in sustaining the economies, particularly in rural areas. In the case of Haiti, an estimated 1.5 million Haitians—roughly 20 percent of the current population and many of its skilled workers—have migrated, remitting approximately \$1 billion per year and accounting for at least 17 percent of the GDP, the highest percentage in the region.

As part of a regional strategy, PADF has been partnering with immigrant groups throughout the LAC region to better leverage these remittances for productive and social investments. One important example of this is leveraging Haitian Diaspora remittances for school reconstruction projects and productive agricultural activities to increase rural incomes.

An particularly innovative example is PADF's partnership with the popular and well-known Haitian-American hip hop artist, Wyclef Jean, whose foundation, Yéle Haiti, is mobilizing the Haitian Diaspora and contributing to PADF for school reconstruction and other projects, such as a USAID solid waste management project in Haiti.

This latter project warrants special mention, not only for Wyclef Jean's role in promoting garbage pick-up in the most volatile slum areas of Port-au-Prince, like Cité Soleil and Bel

Air, but also for promoting a more secure environment for upcoming elections and creating jobs within the slums. With additional funding for this successful project, PADF will help provide sustainable development through recycling, social responsibility, and private sector participation.

Recommendations for U.S. Development Policy in the Caribbean

U.S. development aid to the Caribbean has declined steadily over the past several years, placing a premium on identifying, supporting, and replicating winning strategies that will increase competitiveness, ease transition from trade preference-based economies, improve investment climates, decrease dependence on the public sector, and improve human resources development.

The following are four recommendations, three regional in nature, and one, country-specific, to improve the effectiveness of U.S. development and other aid to the region.

1. **Ensure Greater Development Funding for Haiti:** Although humanitarian, democracy, and other assistance is important, especially in times of political and social crises, it is imperative that the United States and other international donors continue to provide high levels of development assistance to Haiti; democracy cannot take hold if the poverty is so rampant that free and fair elections are rendered irrelevant. Development of the agricultural, productive, and social sectors are critical not only to Haiti's human development, but to the very foundation of democracy and governance.

Over 25 years in Haiti, PADF understands how to achieve lasting developmental results. Successful models such as community-driven development, border and cross-border development and conflict mitigation, hillside agricultural support, productive infrastructure (irrigation, farm-to-market roads, rehabilitation of aqueducts and water systems, school infrastructure, etc.), and other projects that increase the standard of living and demonstrate important local economic gains must be supported and continued.

2. **Continue Caribbean-wide Disaster Mitigation and Preparedness Initiatives:** Efforts such as the Caribbean Disaster Mitigation Project funded by USAID's Office of Foreign Disaster Assistance (OFDA) and implemented by the OAS between 1993 and 1999 are excellent examples of the kind of support that should continue to be provided and fostered by USAID and other donor agencies. Although this project yielded important results, more is needed across the region in the areas of training, mitigation policy and planning, community preparedness and prevention, and response to man-made emergencies, such as terrorism. Geological hazard maps of the Caribbean indicate the presence of severe seismic conditions that could cause a tsunami in the basin with the potential for literally submerging entire island nations. Although this seems like a doomsday scenario, the recent Asian tsunami not only

vividly demonstrates this possibility, but highlights the importance of this area of sustainable development.

3. **Support a Regional Employment Generation and Skills Training Initiative:** One of the key barriers to increased competitiveness of Caribbean nations moving away from trade preferences is inadequate skills training. High levels of unemployment plague the region, especially among youth, women, and the poorly educated. A key factor in reducing poverty is increasing employment opportunities that are not dependent on the public sector, or on non-competitive sectors. PADF congratulates Congressman Hyde and Congressman Burton for their bill, HR 1213, the Caribbean Basin Trade Enhancement Act of 2005 which calls for establishing a skill-based training program under the auspices of the OAS. As an OAS-affiliated organization with 43-years experience in microenterprise development, employment creation, and skills training, PADF offers its support and assistance to help implement this important \$10 million program—particularly among the lowest-income and most vulnerable sectors of the population, such as youth and women—that will build the necessary human capital for Caribbean growth and development.
4. **Stimulate Private Sector Involvement in Development:** As Caribbean nations seek viable strategies to decrease public sector expenditures and increase competitiveness, it is imperative to open up certain areas for private sector investment. Examples of this have included private sector investments in airports, insurance, tourism, and technology. Social investments by the private sector in education and skills training, health, community development, agriculture, disaster mitigation, job creation, and other areas are equally important. Creating transparent and accountable mechanisms to involve the private sector in development initiatives requires creativity and promotion of corporate social investing as a competitive strategy for Caribbean and multinational corporations.

The inclusion of the Caribbean Diaspora as part of the region's transnational market can increase the attractiveness of investments in the region. Likewise, mechanisms that stimulate the participation of the Caribbean Diaspora in social investments, such as matching funds, social investment funds, and similar resources, have the potential to create incentives for both community and individual investments by members of the Caribbean Diaspora.

5. **Recognize the Important Leadership Role of the OAS:** Finally, the Organization of American States is keenly interested in and committed to the Caribbean. Through its new Secretary General and Assistant Secretary General, the OAS can make an even greater contribution to the region, especially in areas of trade reform, strengthening democracy, and facilitating regional integration. It is already playing an important leadership role in facilitating Haiti's election process, in addressing human

rights issues of Haitian immigrants in the DR, and in supporting the PADF cross-border program between the Dominican Republic and Haiti. The OAS, however, remains chronically under-funded by its member States and requires greater support. It is uniquely positioned to play a key leadership role in future initiatives.

Mr. Chairman and Members of the Committee, I thank you for the opportunity today to share these success stories and recommendations with you and offer the cooperation and assistance of the Pan American Development Foundation to help USAID and others design, implement, and replicate initiatives that work and that help the region move forward. Thank you.

Additional PADF Background

A Hemisphere of Opportunity for All

OUR MISSION—The mission of the Pan American Development Foundation is to increase opportunity for the disadvantaged in Latin America and the Caribbean. We seek to help people and communities achieve economic and social progress and respond to natural disasters and humanitarian crises. We do this through innovative partnerships with private, public, and nonprofit organizations in support of the priorities of the Organization of American States

WHO IS PADF—The Pan American Development Foundation (PADF) is a 501(c)(3) organization established in 1962 through a unique partnership between the Organization of American States (OAS) and private enterprise to promote, facilitate, and implement economic and social development in Latin America and the Caribbean through innovative partnerships and integrated involvement of the public and private sectors.

WHAT MAKES PADF DISTICTIVE?

Affiliation with the Organization of American States (OAS)—Our unique relationship allows for access to leaders and organizations in the region and facilitates implementation of projects in response to regional needs.

Private Enterprise Involvement—PADF provides a mechanism through which the private sector throughout the Americas can directly participate in social and economic development and disaster assistance through corporate social investments.

Strong Network of Regional Partners and Local Capacity-Building—PADF has developed a valuable network of nongovernmental organizations, community-based groups, municipal governments, and private sector partners throughout Latin America and the Caribbean, helping us ensure sustainability and local commitment to projects. We work through local organizations on project activities, strengthening their institutional capabilities and enabling communities to identify and address their own needs

Solid Technical Expertise and Experience Working in the Hemisphere—PADF provides invaluable technical and managerial expertise—most of which is acquired in-country and often in particularly difficult environments—to design and implement innovative, cost-effective approaches. Our development programs, in-kind equipment donations, and private sector contacts are often used together to maximize impact of resources and results.

OUR PROGRAMS

Creating Economic Opportunities

- Employment for Internally Displaced Persons
- Alternative Development
- Employment Generation and Microenterprise
- Sustainable Agriculture and Natural Resource Management
- Remittances for Development
- Rural Infrastructure Development

Promoting Social Progress

- Corporate Social Investing
- Health Services (in-kind medical equipment)
- Skills Training (in-kind tools and equipment donations)

Strengthening Communities and Civil Society

- NGO Strengthening and Capacity-building
- Local Government Training
- Transnational community Development with U.S. Immigrant Groups

Responding to Natural Disasters & Humanitarian Crises

- Emergency Disaster Relief
- Rehabilitation and Reconstruction of Infrastructure
- Community-based Mitigation and Preparedness
- Early Flood Alert Warning Systems
- Risk Management

PADF's role as the disaster assistance arm of the OAS provides a mechanism for the OAS and the Inter-American system to be seen as immediately responding on the ground in the aftermath of a disastrous event. PADF is an active participant on the OAS Inter-American Committee for Natural Disaster Reduction. We are currently working with the Joint Consultative Body of the Permanent Executive Committee of the Inter-American Council for Integral Development (CEPCIDI) and the Committee on Hemispheric Security (CHS) to provide lessons learned and recommendations as the committee strives to streamline the disaster work of the Inter-American system.